

TAB

T
A
B
3

Small copy of chart
at Tab 3.7

~~SECRET~~

EXPLANATORY NOTES FOR CHART: COMPARISON OF PRINCIPAL PROVISIONS OF THE
CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT SYSTEMS

1. EMPLOYEE CONTRIBUTION: The employee's contribution is the same under either system.
2. MAXIMUM ANNUITY: Civil service permits 80% of base pay. This results from 41 years 11 months of service. Foreign Service permits 70% of base pay which results from 35 years of service. The lower limit under Foreign Service is not significant since our entire emphasis is shortening total length of service.
3. FORMULA FOR COMPUTING ANNUITY: The Foreign Service system uses a straight 2% formula. Under civil service, the formula is 1 1/2% for the first 5 years, 1 3/4 for the second 5 years, and 2% thereafter. You will note that the civil service system requires a reduction in annuity for each year under 60. This amounts to 15% at age 50. The Foreign Service system has no such reduction.
4. MANDATORY RETIREMENT: Generally, the Foreign Service mandatory retirement age is 60, which is 10 years below that of the civil service system.
5. DISCONTINUED SERVICE/SELECTION OUT: While both systems have an age 50 with 20 years of service feature, as I have explained, there is a substantial increase in the amount of annuity under the 2% Foreign Service formula due to the fact that there is no actuarial reduction for age. In addition, Foreign Service Officers in Classes 1, 2, and 3, with 5 years of service, receive an immediate annuity regardless of age. When ineligible for an immediate annuity, officers in Classes 4 through 7 receive separation compensation.

The remaining features are generally comparable, however under the Foreign Service system a deferred annuity begins at age 60 rather than 62.

~~SECRET~~

COMPARISON OF PRINCIPAL PROVISIONS OF THE CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT SYSTEMS

	<u>Civil Service</u>	<u>Foreign Service</u>
EMPLOYEE CONTRIBUTION	6 $\frac{1}{2}$ % Base Pay	6 $\frac{1}{2}$ % Base Pay
MAXIMUM ANNUITY	80% Base Pay	70% Base Pay
FORMULA FOR COMPUTING BASIC ANNUITY	1st 5 years - 1 $\frac{1}{2}$ % of "high 5", plus Next 5 years - 1 3/4% of "high 5", plus Each additional year - 2% of "high 5"	2% of "high 5" times years of service
ACTUARIAL REDUCTION	1/12 of 1% for each of the first 60 months under the age 60 and 1/6% for each additional month over 60 months under age 60	None
MANDATORY RETIREMENT	Age 70 with 15 or more years service	Age 60
OPTIONAL RETIREMENT	Age 62 with 5 years service Age 60 with 30 years service Age 55 with 30 years service (immediate annuity with actuarial reduction)	Age 50 with 20 years service (immediate annuity)
DISCONTINUED SERVICE/SELECTION OUT	Any age with 25 years service Age 50 with 20 years service (immediate annuity both with actuarial reduction)	Age 50 with 20 years service (immediate annuity) Classes 1, 2 & 3-immediate earned annuity-any age with 5 years service. Classes 4-7-separation compensation at the rate of one month's pay per year of service up to one year's pay and deferred annuity at age 60.
DISABILITY RETIREMENT	Five years civilian service. (Minimum - Lesser of 40% of high-five or extension of service to age 60 using basic formula.)	Five years civilian service. (Minimum - Lesser of 40% of high-five or extension of service to age 60 using basic formula.)
RESIGNATION PRIOR TO ATTAINING ELIGIBILITY FOR ANNUITY	Deposits refunded or receipt of a deferred annuity at age 62.	Deposits refunded or receipt of a deferred annuity at age 60.
ELECTIVE SURVIVOR BENEFIT	A survivor annuity can be provided to children, the widow or widower with reduction to basic annuity of insured. Terminates on death or remarriage. An unmarried person may designate a beneficiary, having an insurable interest.	A survivor annuity can be provided to children, the widow or widower with reduction to basic annuity of insured. Terminates only on death. An unmarried person may designate any beneficiary.
SOCIAL SECURITY PARTICIPATION	None	